

CHAPTER 21

FINANCIAL CLOSEOUT

1. INTRODUCTION.

- a. **Purpose.** This chapter describes the financial policy for the closeout of contracts and other acquisition, assistance, and interagency instruments. Nonfinancial closeout procedures for acquisition contracts are described in the Federal Acquisition Regulation (FAR), parts 4 and 42.
- b. **Applicability.** This chapter applies to all Departmental elements and their contractors, if provided in their contracts.
- c. **Policy.** DOE's policy is to close out and retire contractual instruments in a timely manner following their completion or termination. Timing standards for closing contracts identified in FAR 4.804-1 will be followed.

2. RESPONSIBILITIES.

- a. **Head of the Contracting Activity (HCA).** The HCA shall ensure that all financial, administrative, security, patent, and property matters are settled or accomplished expeditiously.
- b. **Contracting Officer (CO).** The CO has principal responsibility for initiating, coordinating, and certifying closeout. The CO will establish target dates for completion and coordinate with the Field Chief Financial Officer (Field CFO) the recoupment of any outstanding advance or receivable as described in paragraph 5b of this chapter. In addition, the CO will also determine if the unpaid balance is appropriate and initiate deobligation and/or closeout action by providing a copy of the contract modification to the Field CFO.
- c. **Field Chief Financial Officer (Field CFO).** The Field CFO is responsible for the financial accounting settlement. After receipt of all necessary clearance requirements, CO final payment approval, and any required contractor certification documents, final payment may be authorized and final adjustment of obligations may be recorded. A collateral function of the Field CFO involves the periodic review of unpaid obligations as prescribed in Chapter 5, "Accounting for Obligations." As part of this review, the Field CFO identifies inactive (no financial activity) contracts and requests a determination from the appropriate CO as to the validity of the unpaid balance.

- 3. **CLOSEOUT DOCUMENTS.** Closeout documents provide physical evidence that all conditions necessary to close out and retire the contract have been successfully fulfilled. As closeout document requirements differ for cost reimbursement contracts, fixed-price contracts, and purchase orders, the HCA or designee shall conform the required documents to the extent warranted by the individual circumstances and applicable procurement regulations, such as FAR 4.804-5, and advise the finance office accordingly. The CO will assemble and forward to the cognizant Field CFO a closeout package containing documents identified by the HCA.

4. FINANCIAL CLEARANCE.

- a. **Review and Reconciliation of Financial/Closeout Records.** The Field CFO should immediately confirm that subsidiary ledgers/records and contractor closeout documents agree with Departmental accounting records. The Field CFO shall reconcile differences before proceeding with further financial closeout. Any discrepancy with the contractor closeout documents should be resolved with the CO.
- b. **Review of Final Contract Modification.** Under cost reimbursable contracts, the Field CFO should review and confirm the final contract modification establishing the final contract price. Any prior-year funds shall be deobligated in accordance with Chapter 5, "Accounting for Obligations."
- c. **Review of Final Invoice.** Following CO approval, the Field CFO should examine and process for payment final invoices in accordance with Departmental and office procedures, and also determine the applicability of any final payment timing requirements (for example, nature of the instrument, Prompt Payment Act, or administrative completion).

5. FINANCIAL CLOSEOUT.

- a. **Settlement Objectives.** From a financial management standpoint, closeout involves settling all financial and accounting matters between DOE and the contractor. The Field CFO will perform these actions as discussed in paragraph 2c above after receipt of all necessary clearance requirements. Closeout ultimately will result in clearing and removal of contractor accounts from DOE's books incident to the subsequent annual closing of Departmental accounts.
 - (1) Financial settlement objectives include the following:
 - (a) Verification and mutual agreement as to costs incurred and payments made to the contractor;
 - (b) Confirmation, establishment, and collection of any refunds, credits, or other payments owed to DOE;
 - (c) Verification and adjustment of amounts obligated;
 - (d) Proper disposition of any retained fee or patent withholding;
 - (e) Final payment to the contractor; and
 - (f) Closure of payments cleared or other financing arrangements.
 - (2) Accounting settlement objectives include the following:
 - (a) Verification of uncosted and unpaid balances;
 - (b) Identification and collection of advances or receivables owed to DOE;

- (c) Verification, adjustment, and disposition of physical assets, including work-in-process, completed-asset, depreciation, memorandum accounts, and inventory;
 - (d) Confirmation or disposition of retained funds or withholdings;
 - (e) Confirmation and liquidation of outstanding liabilities;
 - (f) Analysis and adjustment of accounts involving multiple appropriations and program budget and reporting designations;
 - (g) Analysis and adjustment of any special-purpose accounts;
 - (h) Reconciliation of Departmental accounts and subsidiary records; and
 - (l) Verification of adequate and proper documentation.
- b. **Recovery of Advances.** All outstanding advances shall be recovered in accordance with DOE and contractual requirements. Absent provisions in the contract, the Field CFO shall determine if the advance balance will be returned to DOE or liquidated against amounts owed to the contractor. In the latter case, these advances should be reclassified as accounts receivable.
- c. **Government-Owned Property.** All Government-owned property that has been furnished, loaned, constructed, fabricated, or contractor-acquired under the contract shall be accounted for. DOE property clearance is required and shall be included in the closeout package. Inventories, real property, personal property, and related depreciation in the Departmental accounts should be reconciled and cleared in accordance with applicable property regulations (reference DOE Acquisition Regulation 945.6, "Reporting, Redistribution, and Disposal of Contractor Inventory").
- d. **Final Payment.** This represents the final act of closeout and is the last opportunity to effect any reduction or offset for amounts owed the Government.
- e. **Closing Payments Cleared Financing Arrangements.** The amount authorized shall be reconciled and appropriately modified to reflect any final obligation change. The Field CFO shall coordinate termination of the arrangement with the CO and contractor as appropriate, and in accordance with Treasury requirements.
- f. **Financial Reports and Statements.** Contractors shall complete all financial, accounting, and budgetary reports in accordance with the contract's terms and conditions. Likewise, integrated contractors shall be required to prepare and submit to DOE financial reports and statements that properly report all their financial activity or information through physical and administrative completion.
- g. **Documents and Records Disposition.** Government-owned financial documents and records in the possession of contractors shall be accounted for and disposed of in accordance with DOE O 200.1, Information Management Program. The contractor shall be required to notify DOE when such statements, documents, and records are available for examination.

- 6. INTEGRATED AND, IF APPLICABLE, OTHER CONTRACTS.** The Field CFO must ensure that the closeout document requirements are met, the reciprocal accounts of the contractor and DOE are closed, and that the required accounting entries based on the final approved voucher are posted. Specific requirements include the following:
- a. Undelivered Savings Bonds of Contractor Employees.** The Field CFO shall transmit undelivered savings bonds and bond schedules held by Headquarters or field elements to the Department of the Treasury, Bureau of Public Debt, Washington, DC 20026. The Field CFO also shall direct any subsequent claim for an undelivered bond to Treasury.
 - b. Other Outstanding or Unclaimed Items.** Schedules for other unclaimed items held by Headquarters or the field element should be forwarded to the Chief Financial Officer (CFO). If the contractor has been reimbursed for such items, the amounts shall be refunded to DOE and deposited in the appropriate Treasury deposit fund account (reference I Treasury Financial Manual 6-3000, Payments of Unclaimed Moneys and Refund of Moneys Erroneously Received and Covered). Any subsequent claims shall be referred to the CFO. If DOE assumes any contractor encumbrances under the contract, the contractor will assign to DOE the rights and claims for the items that are or would be reimbursable under the contract.
 - c. Insurance.** A determination shall be made by the Field CFO that credit has been received or otherwise accounted for or assigned to DOE with respect to dividends, returns of premiums, return contributions, or other credits due under any insurance policies.
 - d. Pension and Other Post-Contract Employee Benefits.** The Field CFO shall account for any refunds or credits that may be owed to DOE because of reimbursed pension costs. The HCA, in coordination with the DOE contractor industrial relations office, is responsible for any special pension arrangements or other post-contract employee benefits for a terminating contractor and for ensuring that the pension funds or funds for other post-contract employee benefits are disposed of in accordance with such arrangements.
- 7. CONTRACT TRANSFERS.** When it is determined necessary or advantageous to transfer contract administration from one office to another, the receiving office must concur with the transfer and establish a mutually acceptable transfer date. Thereafter, the receiving office must fulfill closeout responsibilities in accordance with Chapter 12, "Transfers."
- 8. SUBCONTRACTS-CLOSEOUT RESPONSIBILITY.** DOE is not responsible for any direct action in the closeout of prime contractor subcontracts unless contract terms or other directives require it.
- 9. FINANCIAL RETIREMENT.** After completing financial closeout, physical records, documents, and electronic records must be retired.
- a. Physical Record Retirement.** The Field CFO shall retire accountable officers' records and other formal financial records in accordance with applicable Federal requirements and DOE O 200.1, Information Management Program.

- b. Electronic Records Retirement.** The Field CFO shall print or transfer electronic records to a safeguarded electronic medium or microform, as appropriate, at the end of the fiscal year and store them in accordance with Federal records retention requirements and DOE O 200.1, Information Management Program.
- c. Departmental Integrated Standardized Core Accounting System (DISCAS) Retirement.** The Field CFO should close the contract in DISCAS or, in the case of power marketing administrations, in their accounting systems. After the new fiscal year commences, the Field CFO should initiate the DISCAS contract retirement procedure to verify and purge remaining contract records from the system.